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1           2. Section 310 of the Judicial Improvements Act of 1990  
2 (28 U.S.C. § 1367) provides supplemental jurisdiction over plaintiff's  
3 state-law claims.

4                                   **DEFENDANTS**

5           3. Defendant Zeco Holdings, Inc. is an active Washington  
6 business corporation with its principal place of business in Burlington,  
7 Washington.

8           4. Defendant Corey M. Zembruski resides in Burlington,  
9 Washington and has been, at all relevant times, the sole shareholder  
10 and a director of Zeco Holdings, Inc.

11           5. Defendant Robin Price resides in Burlington, Washington  
12 and has been, at all relevant times, a director of Zeco Holdings, Inc.

13                                   **OFFER AND SALE OF SECURITIES**

14           6. Beginning on or about the 16th of May 2003 defendants  
15 Zembruski and Price, acting on behalf of the corporate defendant,  
16 made offers by mail and by telephone to persons residing in the  
17 states of Washington and Pennsylvania to sell corporate notes, payable  
18 in four years, and attempted thereby to raise two-hundred fifty  
19 thousand dollars for the establishment of a new branch office for an  
20 existing mortgage brokerage business.

21           7. In response to this offer plaintiff Christopher Matthes  
22 agreed to purchase a note and delivered to defendant Zembruski  
23 a bank check payable to the corporate defendant in the amount  
24 of seventy thousand dollars.

25           8. Prior to delivery of this check defendants Zembruski  
26 and Price, acting in their capacities as corporate directors, signed their

1 names to a resolution of the corporate defendant to accept the seventy-  
2 thousand dollar transfer and issue a note to the plaintiff.

3 **COUNT ONE: LACK OF FEDERAL REGISTRATION**

4 9. The note issued by Zeco Holdings, Inc. is an unregistered  
5 security for which registration with the Securities and Exchange  
6 Commission is required by the Securities Act of 1933.

7 **COUNT TWO: LACK OF WASHINGTON REGISTRATION**

8 10. The note issued by Zeco Holdings, Inc. is an unregistered  
9 security for which registration with the Washington Department of  
10 Financial Institutions is required by the Washington Securities Act.

11 **COUNT THREE: MISREPRESENTATIONS AND OMISSIONS**  
12 **ACTIONABLE UNDER FEDERAL LAW**

13 11. While making offers to sell the unregistered securities,  
14 defendants Zembruski and Price, deliberately or recklessly and in  
15 violation of the Securities Act of 1933 and the Securities Exchange  
16 Act of 1934, made untrue statements of material fact and omitted to  
17 state material facts necessary in order to make their statements not  
18 misleading, to wit, (a) they failed to disclose that Zembruski had been  
19 convicted of nine felony counts of theft by embezzlement in 1997,  
20 (b) they failed to disclose that their principal residence was the  
21 subject of a pending trustee's sale, (c) they falsely represented that  
22 the proceeds of the note would be used to establish a branch office  
23 for an existing business, (d) they failed to disclose that the corporate  
24 defendant did not have the proper State of Washington license to  
25 operate as a mortgage broker or any other financial business, (e) they  
26 falsely represented that a Washington business corporation named

1 A+ Mortgage, Inc. was owned by the corporate defendant, and (f) they  
2 falsely represented that the corporate defendant owned eleven branch  
3 offices.

4 **COUNT FOUR: MISREPRESENTATIONS AND OMISSIONS**  
5 **ACTIONABLE UNDER WASHINGTON LAW**

6 12. The omissions and false statements mentioned in the  
7 preceding paragraph also constitute violations of the Washington  
8 Securities Act, but without regard to any mental state of the defendant  
9 speaking or under a duty to speak.

10 **COUNT FIVE: EMOTIONAL DISTRESS**

11 13. As a reasonably foreseeable consequence of the  
12 omissions and false statements mentioned in Paragraph 11, plaintiff  
13 has suffered emotional distress, for which, he should be reasonably  
14 compensated.

15 **COUNT SIX: FRAUDULENT TRANSFERS**

16 14. Since receiving the investment from the plaintiff, the  
17 corporate defendant has made transfers to or on behalf of defendants  
18 Zembruski and Price which are deemed fraudulent by the Uniform  
19 Fraudulent Transfer Act.

20 WHEREFORE, plaintiff prays that the court grant him the  
21 following relief:

22 1. Whatever provisional remedies might be permissible  
23 under Fed. R. Civ. P. 64 to secure satisfaction of any judgment  
24 ultimately to be entered in plaintiff's favor;

25 2. Judgment against the corporate defendant for rescission  
26 of the unlawful securities purchase and for return of the \$70,000 paid

1 by plaintiff, plus unpaid interest from the date of the purchase, plus  
2 attorney's fees and costs;

3 3. Judgment jointly and severally for damages against  
4 defendants Zembruski and Price in the amount of \$70,000, plus  
5 interest from the date of the security purchase, plus attorney's fees  
6 and costs, for violation of federal and state securities laws and for  
7 accepting fraudulent transfers from the corporate defendant;

8 4. Judgment jointly and severally against each of the  
9 defendants in an amount that would reasonably compensate plaintiff  
10 for his emotional distress; and

11 5. Whatever additional legal or equitable relief would be just  
12 under the circumstances including injunctive relief.

DATED this 17<sup>th</sup> day of February 2004.



Thomas Cline  
Attorney for Plaintiff

WSBA 11772